# ASSESSING THE MARKET FOR A TRAVEL AGENCY RESERVATION SYSTEM IN THE U.S.

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# ASSESSING THE MARKET
# FOR A TRAVEL AGENCY
# RESERVATION SYSTEM IN THE U.S.

INTERIM PRESENTATION
TO GSI

PARIS

FEBRUARY 26, 1985

YGSI

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AUTHOR

ASSESSING THE MARKET FOR A TRAVEL

TITLE

AGENCY RESERVATION SYSTEM IN THE U.S.

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# I INTRODUCTION

- PURPOSE/SCOPE.
- METHODOLOGY.
- RESPONDENTS.
  - COMPANIES.
  - TITLES.
- QUALITY OF INFORMATION.

## PURPOSE/SCOPE

- ASSESS U.S. OPPORTUNITY FOR GSI EUROPEAN PRODUCT
  - OFFERED TO EUROPEAN AGENCIES
  - FOR AIRLINES NOT INCLUDED IN NATIONAL CARRIER'S NETWORK
  - USES INEXPENSIVE TERMINAL
- IDENTIFY POTENTIAL PARTNERS
- ISSUES
  - CURRENT U.S. RESERVATION SYSTEMS
  - GAPS IN CURRENT SERVICES THAT WOULD PROVIDE OPPORTUNITIES TO THE GSI PRODUCT
  - COMPETITIVE ENVIRONMENT
  - RECENT POLITICAL AND REGULATORY DEVELOPMENTS
  - REQUIREMENTS/ATTITUDES OF POTENTIAL CUSTOMERS
    - AIRLINES
    - TRAVEL AGENTS

## METHODOLOGY

- IN-DEPTH INTERVIEWS WITH KNOWLEDGEABLE INDUSTRY SOURCES.
    - LARGELY TELEPHONE.
    - OVER 60 RESPONDENTS IN 41 ORGANIZATIONS (LIST FOLLOWS).

- MULTIPLE PURPOSES.
    - ASSESS GENERAL INDUSTRY ENVIRONMENT.
    - ASSESS SPECIFIC ORGANIZATION'S ACTIVITIES AND PLANS.
    - IDENTIFY GENERAL OPPORTUNITIES IN RESERVATION SYSTEM AREA.
    - IDENTIFY GSI SERVICE OPPORTUNITY.
        - RECEPTIVITY BY POTENTIAL PROSPECTS.
        - REACTION BY POTENTIAL COMPETITION (INFERENCE).
        - POTENTIAL PARTNERS.

## RESPONDENTS

- AIRLINES WITH MAJOR RESERVATION SYSTEMS.
  - UNITED.
  - AMERICAN.
  - TWA.
  - EASTERN.
  - DELTA.

- AIRLINES WITH SECONDARY RESERVATION SYSTEMS.
  - U.S. AIR.
  - REPUBLIC.
  - WESTERN.
  - CONTINENTAL.
  - OZARK.
  - AIR WISCONSIN.
  - PAN AMERICAN.

- AIRLINES WHO ARE A "TENANT" ON ANOTHER RESERVATION SYSTEM.
  - MUSE.
  - FRONTIER.

- UNIQUELY-POSITIONED AIRLINES.
  - SOUTHWEST.
  - PEOPLES.

- FOREIGN AIRLINES.
  - AIR FRANCE.
  - ALITALIA.
  - AIR AFRIGUE.
  - AEROMEXICO.
  - AIR KENYA.
  - LACSA.
  - TAN.
  - VIASA.

- TRAVEL AGENT GROUPS.
  - ASK MR. FOSTER.
  - LIBERTY.
  - EXPRESS.
  - RAYMOND AND WHITCOMB.
  - HICKORY (CONSORTIUM).

- OTHER TRAVEL AGENTS.
  - EXECUTIVE (LOCAL).
  - B&B (LOCAL).
  - BLANCHARD (LOCAL).

- CORPORATIONS WITH IN-HOUSE PROGRAMS.
  - SCHERING-PLOUGH (PHARMACEUTICALS).
  - IRVING BANK.

- GOVERNMENT/ASSOCIATIONS.
  - SENATOR KASSEBAUM'S STAFF.
  - IATA.
  - AMERICAN SOCIETY OF TRAVEL AGENTS (ASTA).

- INDEPENDENT VENDOR.
  - TYMSHARE (MC AUTO).

- OTHER PARTICIPANTS IN AIRLINE RESERVATION SYSTEMS.
  - HERTZ.
  - AVIS.

- OTHER (MAINLY AS POTENTIAL PARTNERS).
  - CITICORP.
  - ELECTRONIC MAIL CORPORATION OF AMERICA.
  - DECISION DATA (SELLS, MAINTAINS TERMINALS).

## TYPICAL RESPONDENT TITLES

- DIRECTOR OF MARKETING.
- TRAVEL AGENT AND SENIOR TRAVEL AGENT.
- DIRECTOR OF RESERVATIONS.
- ASSISTANT DIRECTOR OF RESERVATIONS.
- SALES MANAGER.
- MARKETING REPRESENTATIVE.
- DIRECTOR OF AUTOMATION FOR MARKETING.
- TECHNICAL REPRESENTATIVE FOR AUTOMATION.

## QUALITY OF INFORMATION

- FEW REJECTIONS.
- OPEN, FORTH-COMING.
- INTERPRETATION: VERY IMPORTANT.
  - TIME OF CHANGE.
  - COMPLEX ENVIRONMENT.
  - WIDE RANGE OF DATA.

# II AIR TRANSPORTATION: ENVIRONMENTAL BACKGROUND

## IMPORTANCE OF UNDERSTANDING THE ENVIRONMENTAL CONTEXT

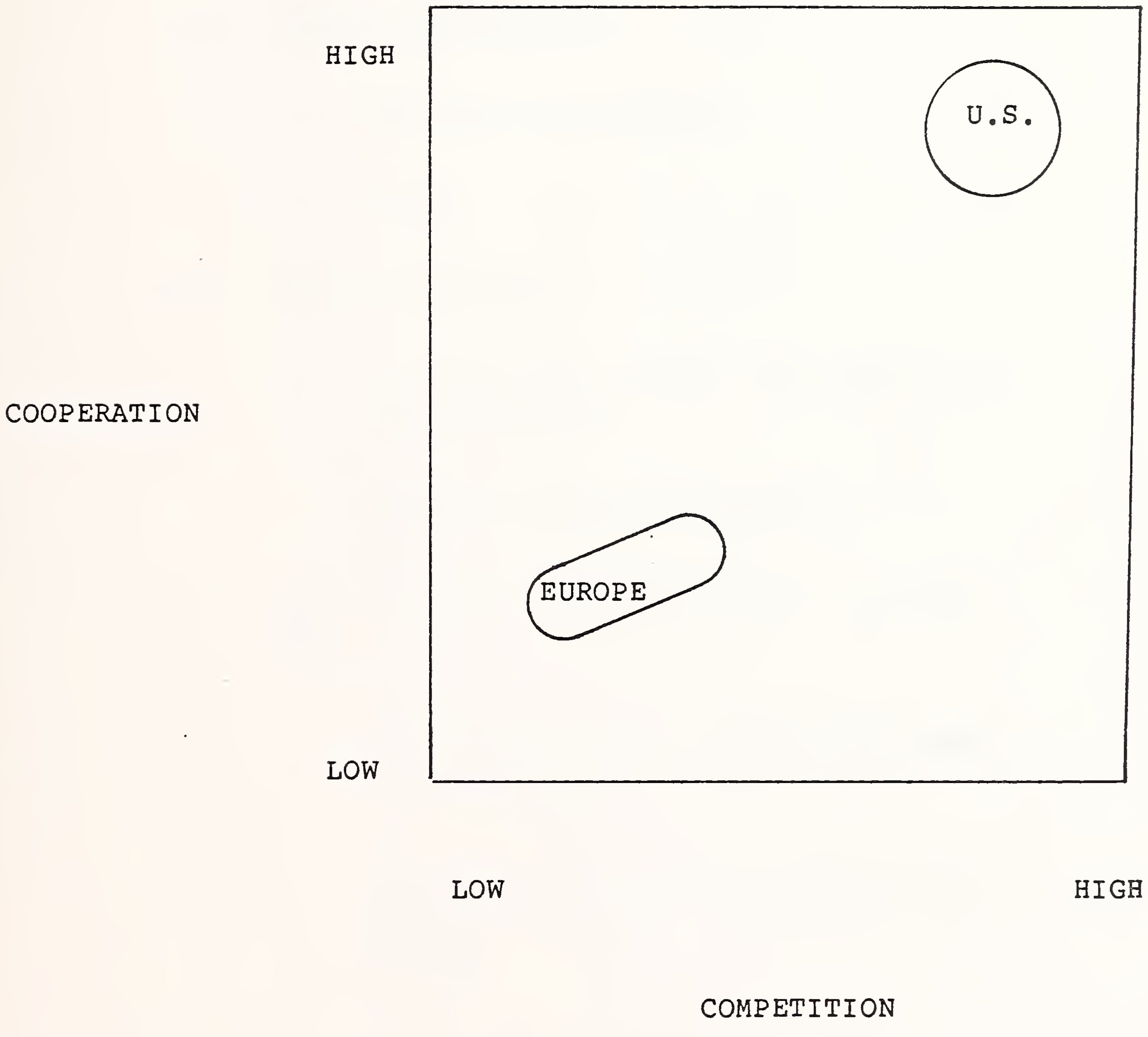
- DIFFERENCES/SIMILIARITIES TO EUROPE.
- REQUIREMENTS.
- UNFILLED NEEDS.
- GSI PRODUCT NICHE.
- OTHER OPPORTUNITIES.

# CARRIERS

## U.S. CARRIERS: HISTORIC OVERVIEW

- ALWAYS CONTROLLED COMPETITION.
  - HISTORIC DIFFICULTY, BUT NOT IMPOSSIBILITY, OF ADDING ROUTES.
  - LIMITED PRICING FLEXIBILITY.
- REJECTION OF AIRLINES AS "CHOSEN INSTRUMENTS" OF POLITICAL OR GOVERNMENT POLICY.
- OVERLAPPING ROUTE STRUCTURE CREATED.
  - "INTERLINING" REQUIREMENTS.
  - COMEPTITORS WHO WERE ALSO CONNECTIONS.
- THEREFORE: COOPERATION.
  - RESPONSE TO COMPETITION:
    - OFFER FULL SERVICE.
    - SELL SEATS.
  - LEGALLY PERMISSIBLE BECAUSE OF REGULATION.

## U.S. & EUROPE: AIRLINE COMPETITION VS. COOPERATION



## GENERAL AIR TRANSPORT
## LEGAL/REGULATORY ENVIRONMENT

- DEREGULATION A FACT.
    - ENTRY/EXIT TO MARKETS.
    - FARES.
- NEGATIVE EFFECTS.
    - ON TRAVELLING PUBLIC: VERY FEW, LESS THAN EXPECTED.
    - FINANCIAL STRAIN ON AIRLINES.
- MAY ULTIMATELY LESSEN INDUSTRY COOPERATION.
    - EASY MARKET ENTRY MAKES INTERLINING LESS IMPORTANT.
    - STRONGER AND/OR MORE AGGRESSIVE AIRLINES MAY BE LESS COOPERATIVE (E.G. PEOPLES).
    - FEW EFFECTS YET.

## MAJOR CHANGES EXPECTED IN AIR TRANSPORT ENVIRONMENT

- SHAKE-OUT OF WEAKER CARRIERS; FEWER NEW ENTRANTS

- INCREASED COMPETITION.

- INFORMATION: BECOMING MORE CRITICAL COMPETITIVE WEAPON.

  - SCHEDULING

  - FARES

  - MARKETING

  - COSTS

- AMBIVALENT ATTITUDE TOWARD COOPERATION.

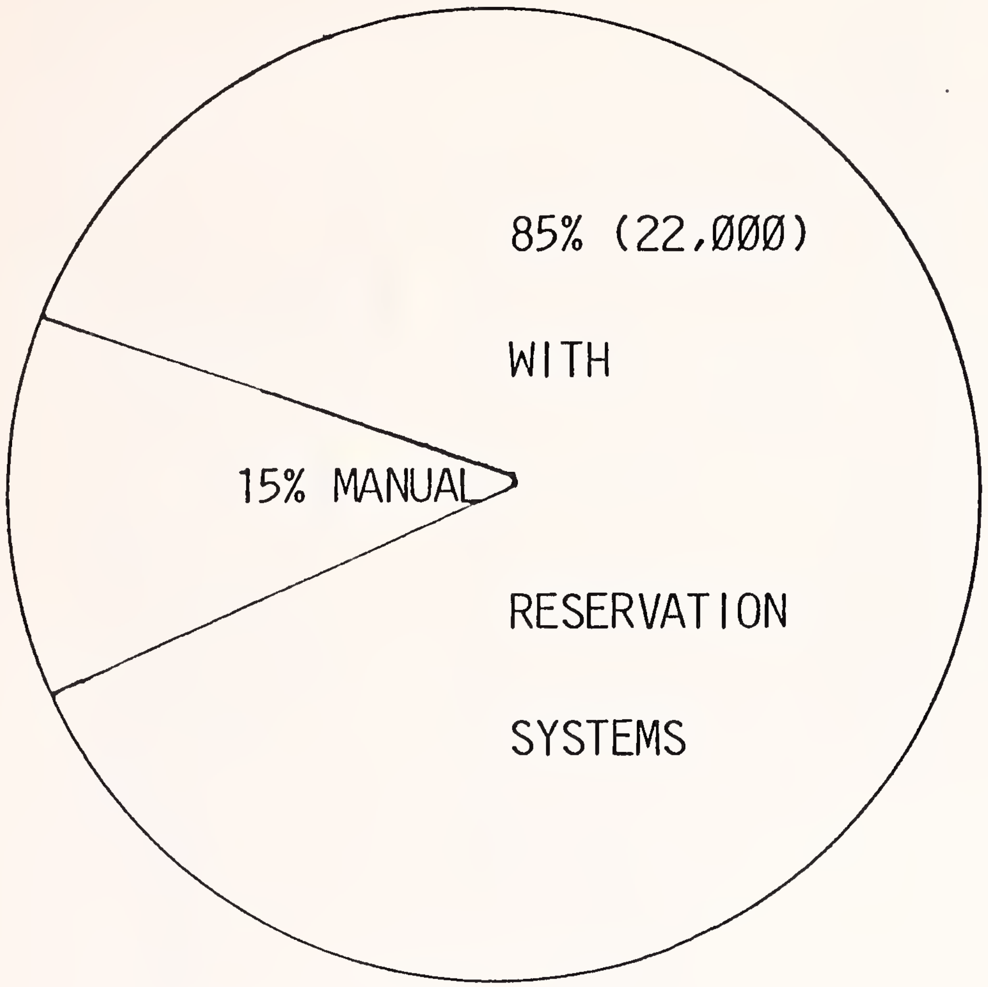
  - LESS SHARING AMONG STRONG CARRIERS.

  - ALLIANCE-BUILDING WITH SMALLER AND/OR WEAKER CARRIERS.

    - ANTI-TRUST LAWS: TWO-EDGED SWORD.

# TRAVEL AGENTS

## 26,000 U.S. TRAVEL AGENCY LOCATIONS



| VENDOR | SYSTEM | AGENCY LOCATIONS | % |
|---|---|---|---|
| AMERICAN | SABRE | 8,000 | 34% |
| UNITED | APOLLO | 6,200 | 28 |
| TWA | PARS | 3,700 | 16 |
| EASTERN | PLUS | 2,500 | 11 |
| DELTA | DELTAMATIC | 1,000 | 4 |
| TYMSHARE |  | 1,000 | 4 |
| OTHERS |  | 800 | 3 |
|  |  | 23,200* | 100% |

* APPROXIMATELY 1,000 SYSTEMS ARE IN AGENCIES THAT USE TWO OR MORE SYSEMS.

## TRAVEL AGENTS: FUNCTIONS & AUTOMATION

- INFORMATION PROVIDER
  - SCHEDULES/FARES: HIGHLY AUTOMATED (MOST AGENTS)
  - HOTELS AND CAR RENTAL
    - BASIC INFORMATION: PARTIALLY AUTOMATED (MOST AGENTS)
    - ALL DETAILED INFORMATION: NOT AUTOMATED
  - TOURS, CRUISES, ETC.: PARTIALLY AUTOMATED
- BOOKING, TICKET ISSUANCE
  - AIRLINES: HIGHLY AUTOMATED (MOST AGENTS)
  - HOTELS, CAR RENTAL: PARTIALLY AUTOMATED (MOST AGENTS)
  - OTHER: NOT AUTOMATED
- CORPORATE TRAVEL MANAGEMENT
  - NEW FUNCTION
  - POTENTIALLY VERY IMPORTANT TO LARGER AGENTS
  - NOT POSSIBLE WITHOUT AUTOMATION
  - FUNCTIONS
    - LEAST COST ROUTING
    - TRAVEL COST ANALYSIS
    - FREQUENT FLYER AWARD TRACKING
    - FAVORED CARRIER ROUTING

## TRAVEL AGENTS: RELATIONSHIP TO CARRIERS

- BUSINESS
  - SYMBIOTIC
  - AGENTS FEARFUL OF CHANGE
  - MAY BE SQUEEZED BETWEEN GIANT CARRIERS AND CORPORATIONS
- LEGAL/REGULATORY
  - AGENCIES MOST COMFORTABLE BEFORE DEREGULATION
  - DEREGULATION HAS LED TO COMMISSION AND DISCOUNT COMPETITION
- DATA EXCHANGE
  - VIA RESERVATION SYSTEM
  - VIA OTHER MEANS

## TRAVEL AGENTS: THREATS & CHANGES

- SURPRISINGLY FEW EFFECTS FROM DEREGULATION; LIKELY TO CHANGE.

- MAJOR THREATS:
  - SINGLE TRAVEL AGENCY FOR A CORPORATION
  - IN-HOUSE TRAVEL AGENTS
  - COMMISSION GIVE-BACKS (LEGAL)

- CHANGES
  - A FEW GIANTS (CORPORATE TRAVEL) AND MANY PYGMIES (INDIVIDUAL TRAVEL)
  - PYGMIES JOINING DEFENSIVE CONSORTIUMS
  - AGENCY CORPORATE TRAVEL MANAGEMENT SYSTEMS
    - STANDALONE OR FRONT END (ARMS)
    - TURNKEY OR SOFTWARE

# III RESERVATION SYSTEMS: BACKGROUND

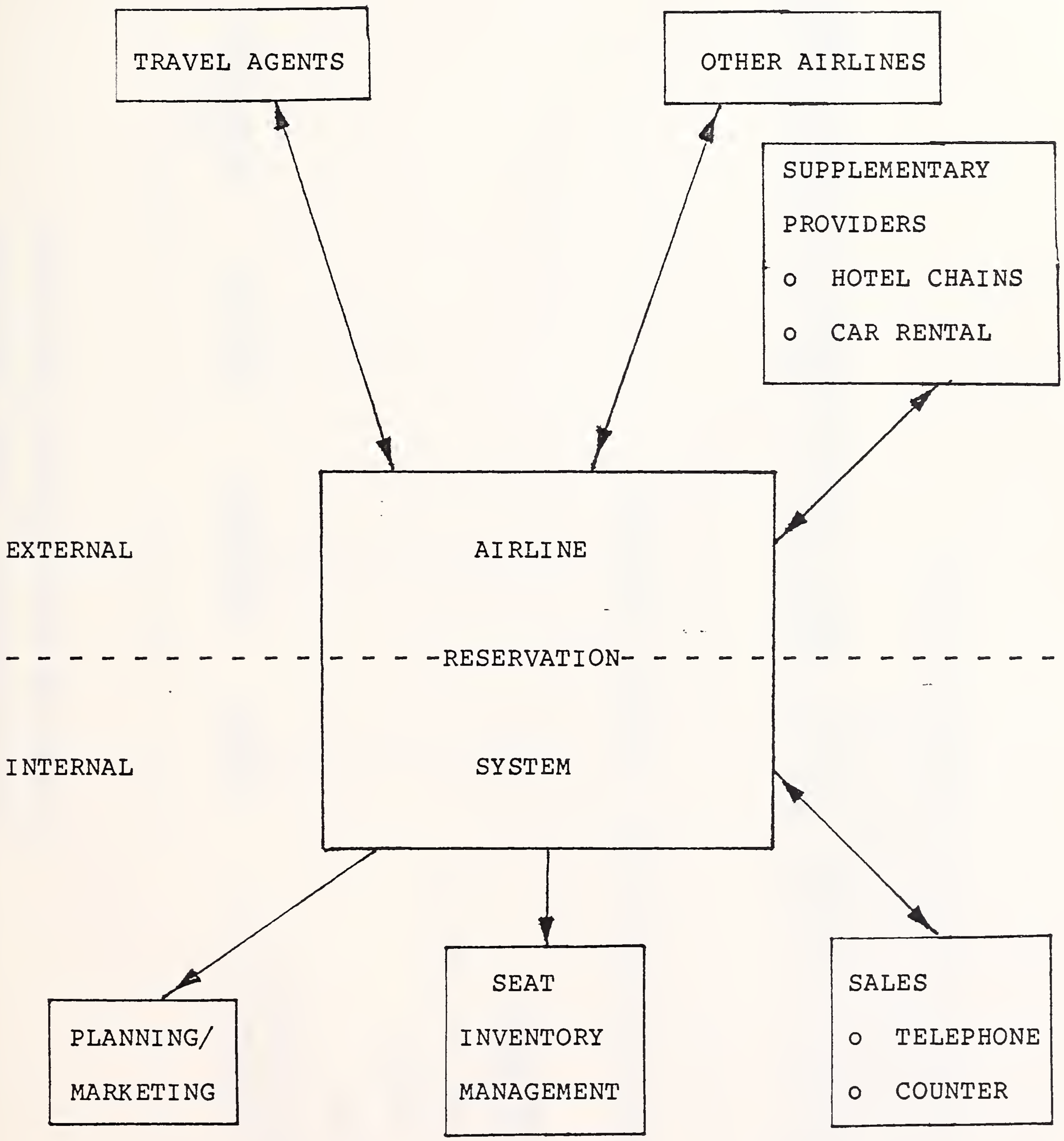
## CLASSES OF U.S. RESERVATION SYSTEMS

- MAJOR (DOMESTIC) AIRLINE
  - EXTENSIVE SERVICES
  - GENERALLY TECHNICALLY ADVANCED
  - OFFER SERVICES TO AGENTS
  - INCLUDE:
    - UNITED
    - AMERICAN
    - TWA
    - DELTA
    - TYMSHARE (SPECIAL CASE)

- SECONDARY SYSTEMS
  - LESS EXTENSIVE SERVICES
  - LESS TECHNICALLY ADVANCED
  - GENERALLY, BUT NOT ALWAYS, HAVE THEIR OWN COMPUTER AND SOFTWARE
  - RARELY OFFER SERVICES TO AGENTS
  - INCLUDE ABOUT 20 DOMESTIC AIRLINES AND LARGER FOREIGN AIRLINES

- TERTIARY
  - SMALL, LOCAL DOMESTIC AIRLINES AND SMALLER FOREIGN AIRLINES
  - RUDIMENTARY, OFTEN MANUAL, SEAT INVENTORIES
  - STILL ABLE TO INTERACT WITH MAJOR RESERVATION SYSTEMS
  - OVER 100 CARRIERS

## AIRLINE RESERVATION SYSTEM: OVERVIEW



## SERVICES PROVIDED BY MAJOR RESERVATION SYSTEMS FOR OTHER AIRLINES & BUSINESSES

| SERVICE | MAJOR | SECONDARY | TERTIARY | NON-SUBSCRIBER | HOTELS, CAR RENTAL |
|---|---|---|---|---|---|
| MAINTAINS SCHEDULES | X | X | X | A | X |
| BOOKS SEATS | X | X | X |  | X |
| ISSUES TICKETS | X | X | X |  |  |
| ISSUES BOARDING PASS (B) | X | C |  |  |  |
| DIRECT ("BYPASS") DATA CONNECTION | X |  |  |  | X |

- MAJOR NON-SUBSCRIBERS: PEOPLES, SOUTHWEST

NOTES:

A. MAY NOT BE AS COMPLETE AS FOR SUBSCRIBER (E.G., MAY NOT SHOW FLIGHT SEGMENTS OR INCLUDE ON SECONDARY SCREENS; COMPETITION OFTEN FORCES INCLUSION, HOWEVER).

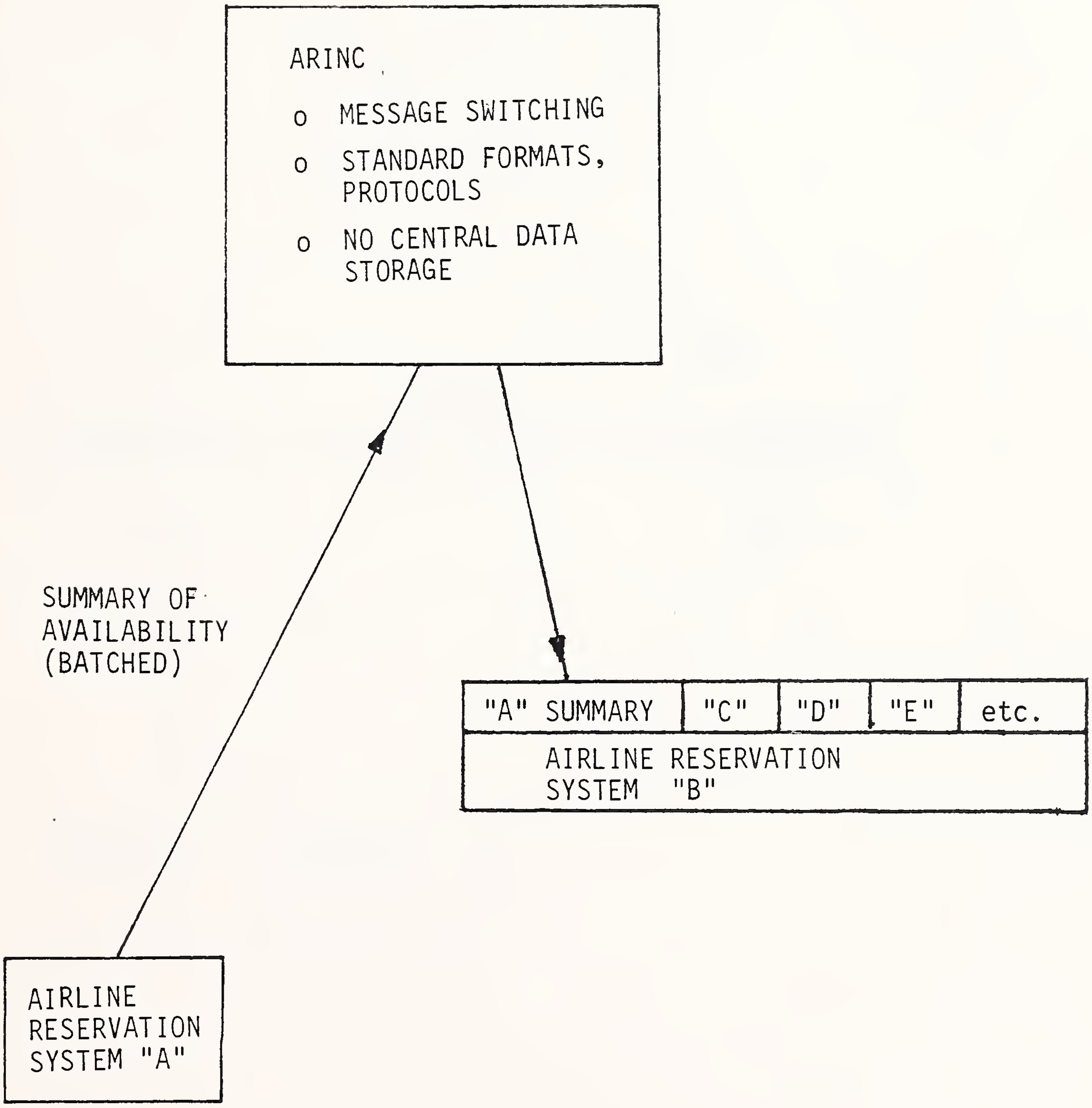
B. IN PROCESS OF IMPLEMENTATION.

C. IF OTHER AIRLINE HAS AUTOMATED SYSTEM.

## SERVICES PROVIDED BY MAJOR RESERVATION SYSTEMS FOR TRAVEL AGENTS

| SERVICE | EXTENT | IMPORTANCE | COMMENTS |
|---|---|---|---|
| SUPPLY FARES/SCHEDULES | | | |
| DOMESTIC | 100% | HIGH | |
| FOREIGN | 90%+ | HIGH | IF KNOWN, WILL ADD |
| SCHEDULE & FARE CHANGES | 100% | HIGH | OFTEN FASTER THAN OAG, ABC |
| BOOKS SEATS | 100% | HIGH | |
| ISSUES TICKETS | 100% | HIGH | |
| ISSUES BOARDING PASSES | PARTIAL | MEDIUM | ALL MAJOR AND SOME SECONDARY SYSTEMS ARE PROVIDING |
| ISSUES BAGGAGE CHECKS | PARTIAL | MEDIUM | ALL MAJOR AND SOME SECONDARY SYSTEMS ARE PROVIDING |
| DIRECT ("BYPASS") ACCESS TO OTHER AIRLINES | 80% | HIGH | DELTA IS UPGRADING |
| BOOK CAR & HOTEL RESERVATIONS | PARTIAL | HIGH | DEPENDS ON ARRANGEMENTS |
| STORAGE OF TRAVEL SEGMENTS BOOKED ELSEWHERE | PARTIAL | MEDIUM | |
| FREQUENT FLYER PROFILES | PARTIAL | HIGH | IMPORTANT DIFFERENTIATION |

# ARINC: INDUSTRY STANDARD FOR COOPERATION



ARINC

- o MESSAGE SWITCHING
- o STANDARD FORMATS, PROTOCOLS
- o NO CENTRAL DATA STORAGE

SUMMARY OF AVAILABILITY (BATCHED)

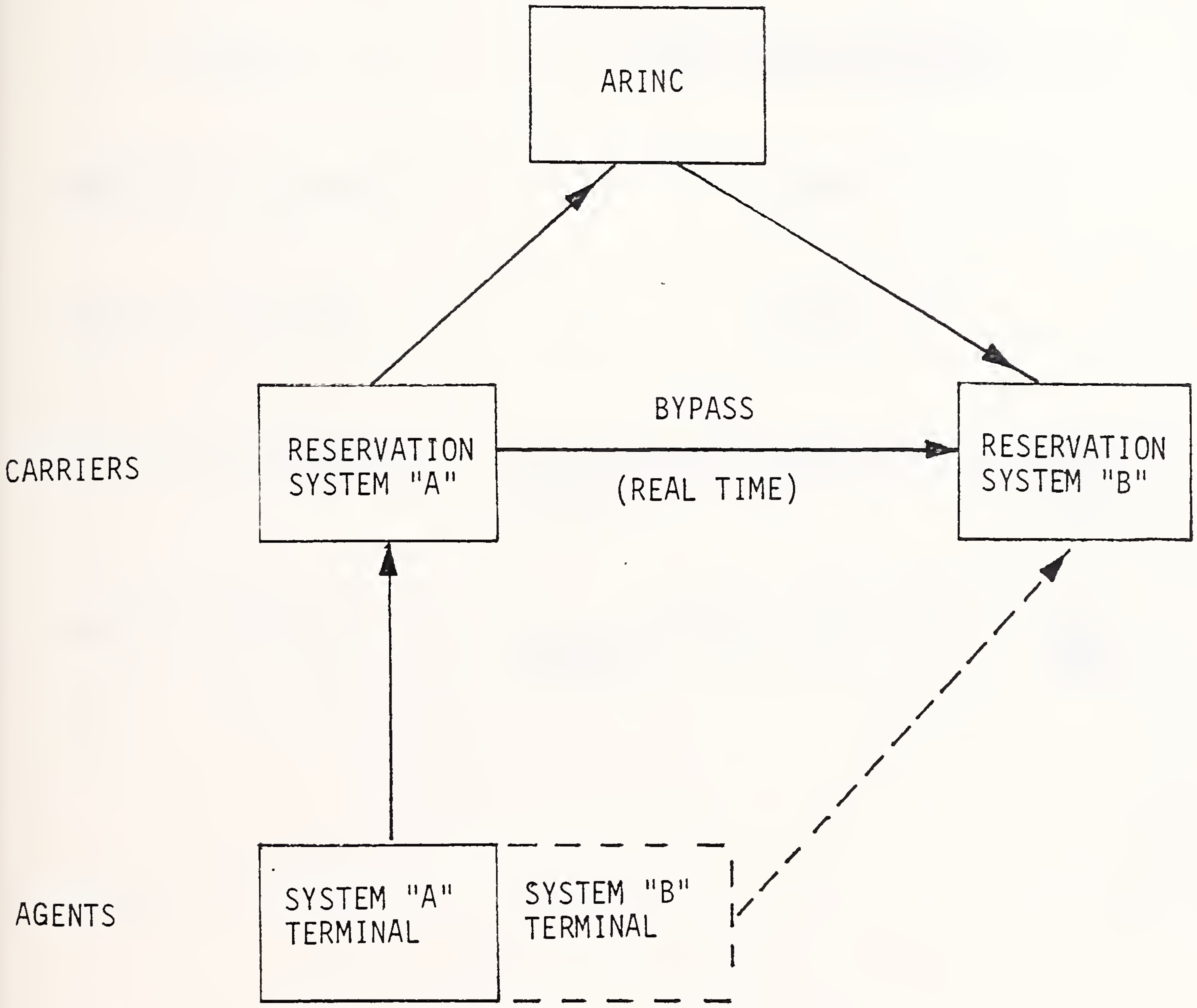
| "A" SUMMARY | "C" | "D" | "E" | etc. |
|---|---|---|---|---|

AIRLINE RESERVATION SYSTEM "B"

AIRLINE RESERVATION SYSTEM "A"

- o LIMITATION
  - INFORMATION SEVERAL HOURS OLD
  - LITTLE DETAIL

# ALTERNATIVES TO ARINC



PROBLEMS

- o BYPASS: COMPLEX, NOT USER-FRIENDLY
- o SECOND TERMINAL
  - COST
  - INTERFACE PROBLEMS (PERCEIVED)

## PRICING & SCHEDULE DATA IN MAJOR RESERVATION SYSTEMS

| DATA | DATA COMPLETENESS | MAJOR SYSTEMS INCLUDING |
|---|---|---|
| DOMESTIC SCHEDULES | 100% | ALL |
| DOMESTIC PRICES | 100% | ALL |
| FOREIGN SCHEDULES | U.S. ARRIVAL/DEPARTURE - 100%<br>OTHER 98% | ALL<br>ALL |
| FOREIGN PRICES | U.S. ARRIVAL/DEPARTURE - 100%<br>OTHER 98% | ALL<br>ALL |

SOURCES:

- RESERVATION SYSTEM PERSONNEL (MAJOR AND SECONDARY SYSTEMS)
- MARKETING STAFF (DOMESTIC & FOREIGN AIRLINES)

# DOMESTIC & FOREIGN AIRLINE NEEDS IN U.S. FROM A RESERVATION SYSTEM

| NEED | DOMESTIC | FOREIGN | EXTENT MET |
|---|---|---|---|
| SCHEDULE AVAILABLE TO TRAVEL AGENTS | VERY HIGH | VERY HIGH | COMPLETE |
| BOOK RESERVATIONS | HIGH | HIGH | COMPLETE |
| SELL/ISSUE TICKETS | HIGH | HIGH | COMPLETE |
| ISSUE BOARDING PASSES | MEDIUM | MEDIUM | PARTIAL |
| ISSUE BAGGAGE CHECKS | MEDIUM/LOW | MEDIUM/LOW | PARTIAL |
| REPRESENT ANOTHER AIRLINE | LOW (MOST);<br>HIGH (VERY SMALL) | LOW (MOST);<br>HIGH (FEW) | COMPLETE |

## CONTRASTS IN U.S. & EUROPEAN AIRLINES MAJOR RESERVATION SYSTEMS

| FACTOR | EUROPE | U.S. |
|---|---|---|
| SUPPLY COMPETITORS' SCHEDULES | NO | YES (FOR BOTH ANTI-TRUST & COMPETITIVE REASONS) |
| BOOK SEATS & SELL TICKETS FOR COMPETITOR | NO | YES - TO SUBSCRIBERS (WHO PAY A FEE) |
| FASTER SCHEDULE UPDATES THAN OAG & ABC | NOT IMPORTANT | YES - COMPETITIVE FACTOR |
| DIRECT ACCESS TO OTHER AIRLINE RESERVATION SYSTEMS | NOT IMPORTANT | YES - COMPETITIVE FACTOR |
| HOTEL & CAR RENTAL INFORMATION | NOT IMPORTANT | YES - COMPETITIVE FACTOR |
| PASSENGER PROFILE | NOT IMPORTANT | YES - COMPETITIVE FACTOR |
| USER-FRIENDLY SYSTEMS | BECOMING IMPORTANT | VERY IMPORTANT |

# IV RESERVATION SYSTEMS: COMPETITIVE ENVIRONMENT

## RESERVATION SYSTEM VENDORS

- AMERICAN
  - FIRST IN NUMBER OF TRAVEL AGENTS
  - STRONGEST PASSENGER PROFILE FEATURE
  - MOST INTEGRATED FREQUENT FLYER PROGRAM
- UNITED
  - SECOND, BUT CLAIMS TO BE FIRST
  - VERY STRONG IN MIDWEST TRAVEL AGENTS
  - TECHNICALLY STRONG, FASTEST UPDATES
- TWA
  - A STRONG NUMBER THREE
  - PROBABLY STRONGEST IN INTERNATIONAL COVERAGE
- EASTERN
  - NOT AS AGGRESSIVE DUE TO FINANCIAL PROBLEMS
  - HISTORICALLY STRONG IN LATIN AMERICA COVERAGE
  - FOCUSES ON NORTHEAST & FLORIDA
  - SYSTEM LARGELY A DEFENSIVE TOOL
- DELTA
  - OBSOLETE TECHNICALLY, PLANNING TO IMPROVE
  - ESSENTIALLY A MARKETING TOOL IN SOUTHEAST
- TYMSHARE
  - AN ANOMALY
  - MAIN BENEFIT: 9 PRIMARY AIRLINES COVERED, RATHER THAN USUAL ONE
  - ANTI-BIAS RULES REMOVE AN IMPORTANT SELLING POINT
  - WILL DEMONSTRATE IF AN INDEPENDENT FIRM CAN MAKE A BUSINESS IN THIS AREA

## CHANGES ANTICIPATED IN VENDORS RESERVATION SYSTEMS

| | ANTICIPATED BY | | | REASON | | |
|---|---|---|---|---|---|---|
| CHANGE | VENDORS | OTHER AIRLINES | AGENTS | COMPETITION | COST REDUCTION | COMMENT |
| FASTER UPDATES OF SCHEDULES AND FARES | | | X | X | | |
| ISSUE BOARDING PASSES, BAGGAGE CHECKS | | | X | X | | IN PROCESS |
| MORE USER-FRIENDLY SYSTEMS | X | | X | X | X | IN PROCESS |
| REDUCE PAPER TICKETS | X | | | | X | EXPERIMENT |
| MORE TICKET ISSUING MACHINES | X | X | X | X | X | EXPERIMENT |

## IMPROVEMENTS TO CURRENT VENDOR SERVICES

- AMERICAN
  - NEW TERMINAL FROM METAPHOR
  - LOCAL STORAGE AND PROCESSING
    - OAG: SAVE COMMUNICATIONS COSTS
    - CUSTOMER PROFILES: IMPROVE COMPETITIVENESS
    - AGENCY ADMINISTRATION
- UNITED
  - BAR CODE/MAGNETIC READER EXPERIMENTS
  - REDUCE PAPER/COSTS
- TWA
  - CHANGED USER COMMANDS
  - EASIER TO USE

## FUTURE DEVELOPMENTS

- OAG/COMPUTER/TWA
- POTENTIAL VENDORS
- POSSIBLE VENDORS

## OAG/COMPUSERV/TWA

- OFFICIAL AIRLINES GUIDE (OAG)
  - OFFERED "ELECTRONIC EDITION" ON COMPUSERVE FOR 3 YEARS
  - PROVIDES SCHEDULES AND FARES
  - MODERATE SUCCESS
  - NO RESERVATIONS
- COMPUSERV (HOME INFORMATION SERVICE) HAS RECENTLY SET UP SWITCH WITH TWA TO PROVIDE RESERVATIONS
  - TICKETS MUST STILL BE ISSUED AT AIRPORT
  - TOO EARLY TO EVALUATE SUCCESS
- COMPUSERV IS COORDINATING
  - NO OAG/TWA JOINT VENTURE

## POTENTIAL VENDORS

- IATA
  - HAVE BEEN EXPLORING FOR OVER A YEAR OFFERING FULL RESERVATION SYSTEM FOR FOREIGN AIRLINES
  - GIVEN ADDITIONAL SUPPORT IN 1984 DURING ANTI-BIAS CONTROVERSY AND NEW FEES
  - BECOMING LESS LIKELY
- ABC ELECTRONIC WORLD AIRWAYS GUIDE
  - DISCUSSIONS WITH SEVERAL DOMESTIC CARRIERS

POSSIBLE VENDORS

- IBM
  - PARS
  - COMMUNICATIONS VENTURES
  - INFORMATION NETWORK
  - IVANS INSURANCE NETWORK
- CITICORP
  - FORMER TRAVEL AGENCY BUSINESS
  - NETWORK
  - NEW BUSINESSES
  - HAS CONSIDERED, REJECTED IN PAST
- HERTZ, AVIS
  - COULD HAVE OFFERED, CHOSE NOT TO
- AT&T

## IMPACT OF ANTI-BIAS REGULATIONS

- ORIGINATED FROM COMPLAINTS FROM SUBSCRIBERS THAT VENDORS' SYSTEMS WERE UNFAIR.
    - COMPETING SCHEDULES WERE OFTEN PLACED IN LESS FAVORABLE POSITIONS IN THE TRAVEL AGENTS TERMINAL DISPLAY.
    - SUBSCRIBER INFORMATION WAS SOMETIMES PLACED ON SCREENS THAT TOOK MORE EFFORT TO ACCESS.
- CAB MANDATED EQUAL TREATMENT WITH UNEXPECTED RESULTS:
    - FOREIGN AIRLINES AND SMALL DOMESTIC AIRLINES PREVIOUSLY WERE NOT CHARGED BY AIRLINE VENDORS.
    - THE AIRLINE VENDORS DECIDED THAT EQUALITY WAS A TWO-WAY STREET:
        - ALL SUBSCRIBERS WOULD HAVE TO PAY A UNIFORM FEE PER SEGMENT BOOKED.
        - SEGMENT CHARGES VARY BY VENDOR, BUT AVERAGE $1.25-1.75.

IMPACT OF ANTI-BIAS REGULATIONS (continued)

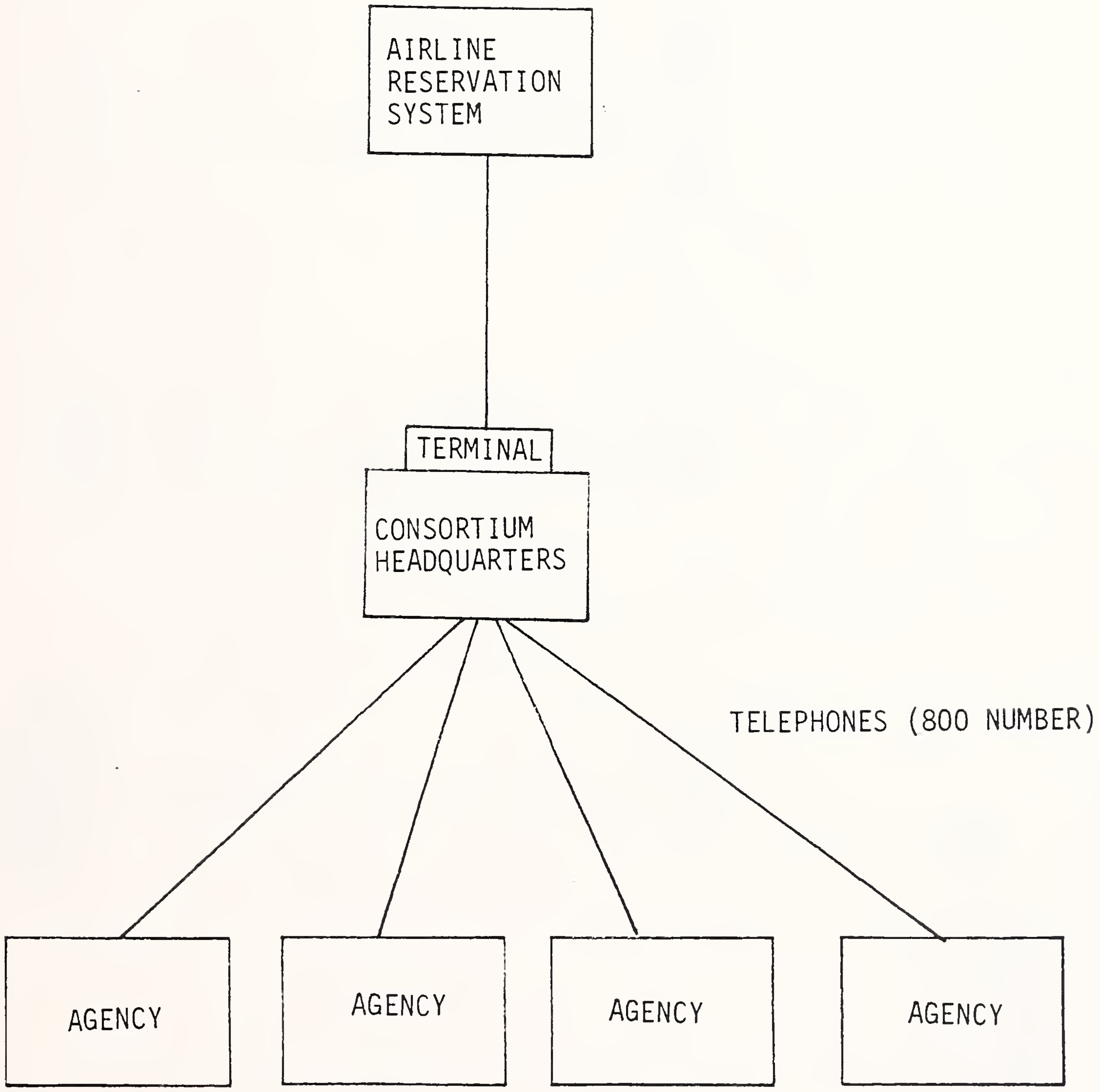
- FOREIGN AND SMALL AIRLINES PROTESTED
  - THREATENED TO FORM OWN SYSTEM
  - SUPPORTED IATA PLAN
- HOWEVER, REMOVAL OF BIAS HAS ELIMINATED MOST PRESSURE FOR NEW OR ALTERNATE AIRLINE RESERVATION SYSTEMS.

# V RESERVATION SYSTEMS: OPPORTUNITIES FOR GSI PRODUCT

## REMAINING UNMET AGENT NEEDS

- SMALL AGENTS WITHOUT TERMINALS (ABOUT 4,000)
  - INDEPENDENT
  - CONSORTIUM MEMBERS
- LARGE AGENTS

CONSORTIUM DATA LINKS



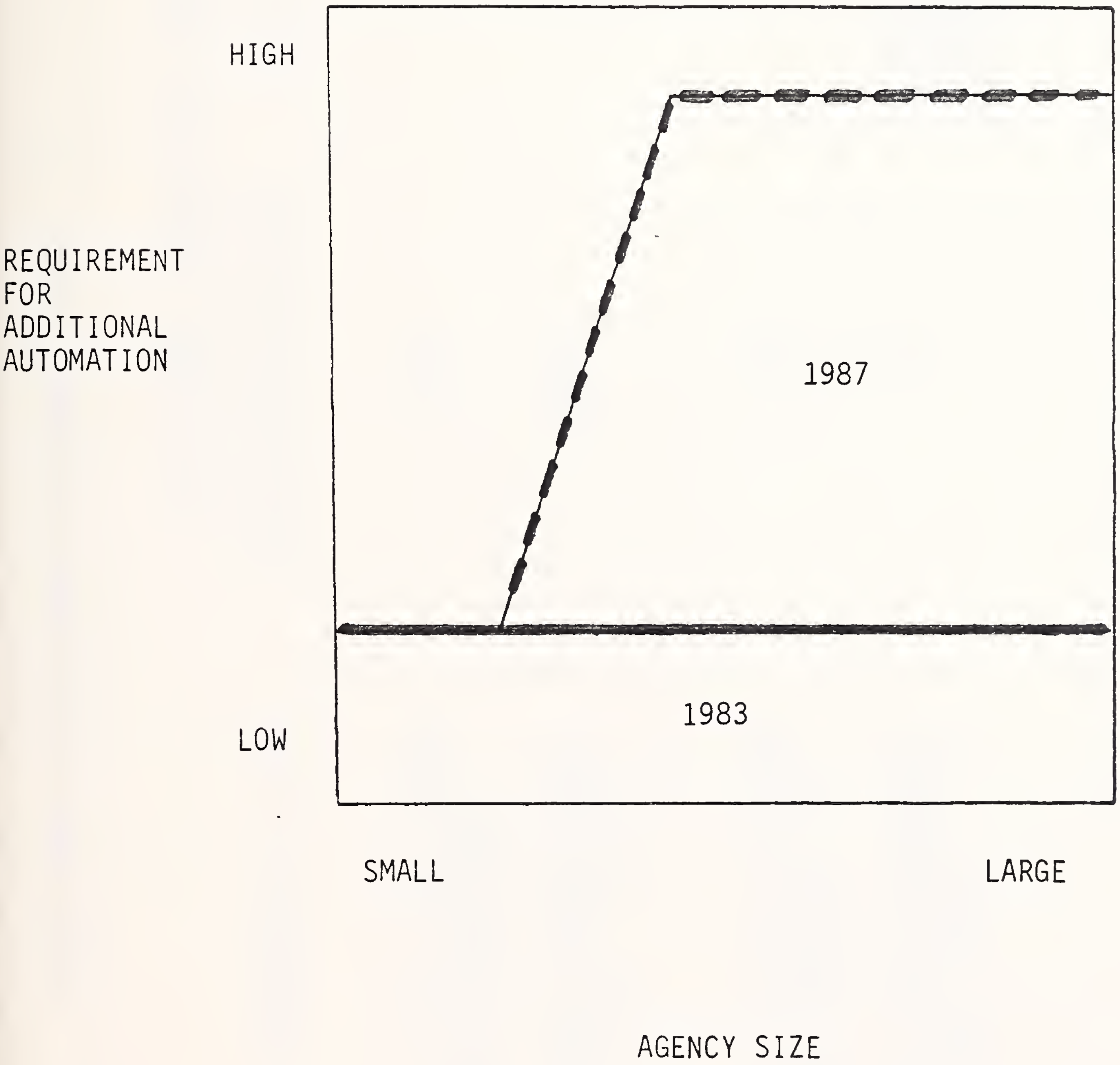
## SERVICES AVAILABLE FROM DIFFERENT COMMUNICATION SOURCES

| SERVICE | AIRLINE RESERVATION TERMINAL | SCANSET | PC* | PHONE |
|---|---|---|---|---|
| SCHEDULES | YES | YES | YES | YES |
| BOOKING | YES | YES | YES | YES |
| TICKET ISSUANCE | YES | NO | NO | NO |
| ACCESS TO MULTIPLE RESERVATION SYSTEMS | YES | NO | NO | YES** |
| HOTEL/CAR | YES | YES? | YES | YES |
| USER FRIENDLY | YES | ? | YES? | YES |
| TRAVEL AGENT BUSINESS PROCESSING | NO? | NO | YES | NO |
| WORKSTATION COST (APPROX.) | $2,000 | $500 | $500-2,000 | $50 |

* E.G., COMPUSERV (OAG & TWA)

** AGENCY TO CONSORTIUM

TRAVEL AGENCY REQUIREMENTS FOR ADDITIONAL AUTOMATION (SCHEMATIC)



# ADDITIONAL AUTOMATION, BY AGENCY SIZE

| AGENCY SIZE | PROBLEMS | ADDITIONAL AUTOMATION, BASED ON: | |
|---|---|---|---|
| | | RESERVATION SYSTEMS | OTHER SERVICES |
| SMALL (1-3) | FEW: | | |
| | ● LOCAL AGENT WILL ALWAYS BE WELL-PLACED FOR VACATION BUSINESS | NO | NO |
| | ● INCREASED COMPETITION FROM LARGER AGENCIES | SMALL | NO |
| MEDIUM (4-10) | MANY: | | |
| | ● MOST AT RISK IN CORPORATIONS' CENTRALIZING AGENCY BUSINESS | NO | NO |
| | ● DO NOT HAVE RESOURCES TO OFFER COMPREHENSIVE CORPORATE TRAVEL | NO | STANDALONE OR FRONT-END TO RESERVATION SYSTEM(S) (TURNKEY OR SOFTWARE) |
| LARGE (10+) | MANY: | | |
| | ● MOST THREATENED BY CORPORATIONS IN-HOUSE TRAVEL DEPARTMENTS | NO | AUTOMATED SUPPORT SYSTEMS: PART OF COMPREHENSIVE PACKAGE OF SERVICES |
| | ● NEW RISK OF CARRIERS WORKING DIRECTLY WITH LARGE CORPORATIONS | NO | |

# GSI SERVICE VS. AIRLINE RESERVATION SYSTEM VENDORS

| SERVICE | IMPORTANCE | AIRLINE RESERVATION VENDORS | GSI SERVICE |
|---|---|---|---|
| SUPPLY SCHEDULES | | | |
| DOMESTIC | HIGH | 100% | 100% |
| FOREIGN | HIGH | 98%+ | 100%? |
| SCHEDULE CHANGES | HIGH | 100% | 100% |
| ADVANCE SCHEDULES CHANGES | HIGH | YES | NO? |
| BOOKS SEATS | HIGH | 100% | 100% |
| ISSUES TICKETS | HIGH | 100% | 0 |
| ISSUES BOARDING PASSES | MEDIUM | PARTIAL | 0 |
| ISSUES BAGGAGE CHECKS | MEDIUM | PARTIAL | 0 |
| DIRECT ("BYPASS") ACCESS TO OTHER AIRLINES | HIGH | 80% | 0 |
| BOOK CAR & HOTEL RESERVATIONS | HIGH | PARTIAL | PARTIAL |
| STORAGE OF TRAVEL SEGMENTS BOOKED ELSEWHERE | MEDIUM | PARTIAL | ? |
| FREQUENT FLYER PROFILES | HIGH | PARTIAL | NO? |

## GSI PRODUCTS VS. UNMET NEEDS

- MAJOR UNMET NEED
  - CORPORATE TRAVEL MANAGEMENT SYSTEM
  - BEING DEVELOPED BY SEVERAL GROUPS IN U.S.
- STANDALONE OR FRONT END TO AIRLINE RESERVATION SYSTEM
- NOT PART OF GSI OFFERING

## RESPONDENT'S DIRECT ASSESSMENT OF GSI PRODUCT

- AIRLINES.
  - MUST OFFER FULL RANGE OF CURRENT VENDOR SERVICES TO BE COMPETITIVE.
  - WOULD NOT SHARE DATA DIRECTLY WITH VENTURE UNLESS THE NEW SERVICE GAVE THEM EXPOSURE TO THOUSANDS OF AGENTS.
    - SUCH DATA SHARING IS CRITICAL TO THE OFFERING'S SUCCESS.
    - AIRLINES INCUR COSTS IN DATA SHARING AND MUST SEE BENEFITS.
- TRAVEL AGENTS AND CORPORATION.
  - SERVICE WAS NOT ATTRACTIVE. SEVERAL WOULD NOT BE INTERESTED, EVEN IF FREE.
    - LACK OF COMPETITIVE FEATURES.
    - REQUIREMENT TO LEARN A NEW SYSTEM.
  - FULL FEATURE, FULL-SIZED TERMINAL DESIRED.

## RESPONDENT'S DIRECT ASSESSMENT OF GSI PRODUCT (continued)

- POTENTIAL PARTNERS (DISCUSSED IN DEPTH WITH FOUR RESPONDENTS).
    - NO INTEREST, DID NOT FEEL SERVICE WAS RIGHT FOR U.S. MARKET.
    - TYMSHARE'S EXPERIENCE WITH SCANSET A NEGATIVE INFLUENCES.
    - THE MORE KNOWLEDGEABLE THE RESPONDENT, THE LESS INTEREST.

## RECOMMENDATION: DO NOT OFFER GSI PRODUCT IN US

- ENVIRONMENT DIFFERENT THAN EUROPE.
- TECHNICALLY ADVANCED US RESERVATION SYSTEMS DO NOT HAVE LIMITATIONS AND GAPS OF EUROPEAN SYSTEMS.
- U.S. SYSTEMS ARE IN CONTINUAL STATE OF CHANGE AND IMPROVEMENT: DIFFICULT AND EXPENSIVE TO KEEP UP
- AGENCIES.
  - FEW COMPLAINTS.
  - GSI WOULD NOT FILL UNMET NEEDS.
- AIRLINES.
  - INITIAL COMPLAINTS IN 1984 WERE BASED ON FOREIGN AND SMALL DOMESTIC AIRLINES BEING CHARGED FOR A SERVICE PREVIOUSLY RECEIVED FREE.

# VI. OTHER TRAVEL AGENCY-RELATED OPPORTUNITIES

## CORPORATE TRAVEL MANAGEMENT SYSTEM

- GOOD OPPORTUNITY.
  - PERCEIVED NEED.
  - LIMITED PRODUCTS NOW AVAILABLE.
  - POTENTIAL SALES TO BOTH TRAVEL AGENCIES AND CORPORATIONS.
- PRODUCTS BEING DEVELOPED.
- GSI WOULD NEED BOTH PRODUCT AND DISTRIBUTION.

## RESERVATION SYSTEM DIVESTITURE: ACQUISITION OF AN ESTABLISHED RESERVATION SYSTEM

- CONGRESS HAS BECOME INTERESTED IN RESTRAINT OF TRADE ASPECTS OF AIRLINE RESERVATION SYSTEMS.
    - 5 OUT OF 6 VENDORS ARE AIRLINES.
    - BIASED TERMINAL DISPLAYS.
- ANTI-BIAS REGULATIONS HAVE SOLVED IMMEDIATE PROBLEM.
- LEGISLATION MAY BE INTRODUCED TO REQUIRE AIRLINES TO DIVEST THEMSELVES OF THEIR RESERVATION SYSTEMS, I.E.,
    - THEY COULD NO LONGER BE VENDORS.
    - OBVIOUSLY, THEY WOULD RETAIN THEIR INTERNAL SYSTEMS.
- IT IS UNLIKELY THAT THIS WILL BECOME LAW.
    - ANTI-BIAS REGULATIONS ARE WORKING TO A GREAT EXTENT.
    - COMPLAINTS ARE OVER PRICING FOR PREVIOUSLY FREE SERVICES; DIVESTITURE WOULD NOT SOLVE THIS.

## RESERVATION SYSTEM DIVESTITURE: ACQUISITION OF AN ESTABLISHED RESERVATION SYSTEM (continued)

  - THE TECHNICAL ASPECTS OF SEPARATING THE INTERNAL AND EXTENAL ASPECTS OF A SYSTEM WOULD BE DIFFICULT.
  - THE AT&T DIVESTITURE EXPERIENCE WILL MAKE POLITICIANS CAUTIOUS.

- ACTION MAY BE TAKEN TO LESSEN THE OPPORTUNITY FOR BIAS.
- IF DIVESTITURE OCCURRED, THIS WOULD BE AN OPPORTUNITY FOR SEVERAL NEW VENDORS TO QUICKLY ESTABLISH THEMSELVES.
  - SIGNIFICANT FINANCIAL AND MARKETING RESOURCES NEEDED.
  - CHANGING ENVIRONMENT.
  - CONCLUSION: ATTRACTIVE, BUT UNLIKELY OPPORTUNITY.

## ACQUISITION OF AN ESTABLISHED RESERVATION SYSTEM - WITHOUT FORCED DIVESTITURE

- ANTI-BIAS REGULATIONS REDUCE THE COMPETITIVE NEED FOR MOST AIRLINES TO BE A RESERVATION SYSTEM VENDOR.
  - EQUAL PRESENTATION OF SCHEDULES.
  - BYPASS FOR ADVANCED SYSTEMS.
  - ISSUANCE OF BOARDING PASSES AND BAGGAGE CHECKS.
  - AVAILABILITY OF TRAFFIC DATA (FOR A FEE).
  - COST IS ALSO AN ISSUE
- AIRLINES ARE DROPPING OUT.
  - U.S. AIR (AND PAN AM, IN EFFECT) HAVE ALREADY WITHDRAWN.
  - EASTERN HAS PARTLY WITHDRAWN BY HAVING FORMED AN ALLIANCE WITH TYMSHARE.
- DELTA WOULD BE LOGICAL ACQUISITION CANDIDATE.
  - SMALL NUMBER OF CUSTOMERS.
  - TECHNICALLY WEAKEST.
  - PERCEIVED AS BEING FURTHEST BEHIND.

## ACQUISITION OF AN ESTABLISHED RESERVATION SYSTEM - WITHOUT FORCED DIVESTITURE (continued)

- ENTRY WOULD REQUIRE SIGNIFICANT INVESTMENT AND RESOURCES.
  - UPGRADING.
  - SALES.
- PROBLEMS TO BE RESOLVED.
  - DOMINANT AIRLINE VENDORS STILL SEE PROPRIETARY SYSTEMS AS IMPORTANT (BUT, PERCEPTUAL LAG?).
  - AIRLINE VENDORS NOT ALWAYS MOTIVATED BY DIRECT PROFIT ON RESERVATION SYSTEM.
  - ANTI-BIAS REGULATIONS WEAKEN NEUTRAL VENDOR'S POSITION.

## TRAVEL AGENCY SUPPORT SYSTEM

- SUPPLEMENT TO OR INDEPENDENT OF OTHER PRODUCTS AND SERVICES
- PRODUCT WOULD INCLUDE:
  - PRODUCT PROFILES (E.G., FLOPPY DISKS)
  - CUSTOMER PROFILES
  - CARRIER REPORTING
  - PAYROLL, COMMISSIONS
  - ACCOUNTING, WORD PROCESSING
  - MARKETING
- CURRENT COMPETITION
  - PC SOFTWARE
  - AMERICANS'S METAPHOR TERMINAL
  - TURNKEY SYSTEMS
  - IN-HOUSE SYSTEMS (LARGE AGENCIES)

## HOME TRAVEL SYSTEMS

- COMPUSERV: PIONEER
- NO DRAMATIC TAKE-OFF YET
  - ADDING RESERVATION CAPABILITY A MINIMUM
  - TICKETING: CRITICAL GAP
- TICKETING PROBLEM COULD BE SOLVED BY AIRLINE EXPERIMENTS ON UNATTENDED TICKETING MACHINES
  - RESERVATIONS AND CREDIT CARD INFORMATION VIA TIMESHARING
  - TICKET MACHINE PROGRAMMED TO ISSUE
- ROADBLOCKS:
  - TECHNICAL
  - TRAVEL AGENT AND TELEPHONE REMAIN VIABLE ALTERNATIVES

## VII REMAINING RESEARCH

- DIRECTION FROM GSI REQUIRED
- ISSUES
    - UPGRADE TO GSI EUROPEAN PRODUCT?
    - GSI ABILITY/DESIRE TO OFFER FULL RESERVATION SYSTEM
    - GSI PLANS TO OFFER OTHER TRAVEL-RELATED PRODUCTS
- RESEARCH OPTIONS
    - MORE INFORMATION ON CURRENT/ POTENTIAL RESERVATION SYSTEM VENDORS AND PRODUCTS
    - ADDITIONAL DETAIL ON OTHER TRAVEL AGENCY-RELATED OPPORTUNITIES
    - OTHER U.S. PARTNERS
        - OPTIONS